

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>City of Belleville, Michigan</u>	County Wayne
Audit Date June 30, 2003	Opinion Date November 19, 2003	Date Accountant Report Submitted To State: February 17, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 350 South Main Street, Suite 200	City Ann Arbor	State MI	ZIP 48104
Accountant Signature 			

City of Belleville, Michigan

Financial Report with Additional Information June 30, 2003

Report Letter	I
General Purpose Financial Statements	
Combined Balance Sheet - All Fund Types, Account Groups, and Component Unit	2-5
Combined Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) - All Governmental Fund Types, Expendable Trust Fund, and Component Unit	6
Combined Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) - Budget and Actual - General and Special Revenue Fund Types	7
Statement of Revenue, Expenses, and Changes in Retained Earnings - Proprietary Fund Type - Enterprise Fund	8
Statement of Cash Flows - Proprietary Fund Type - Enterprise Fund	9
Notes to Financial Statements	10-27
Report Letter	28
Additional Information	
General Fund - Schedule of Revenue, Expenditures, and Changes in Fund Balance (Deficit) - Budget and Actual	29-30
Special Revenue Funds:	
Combining Balance Sheet	31
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit)	32
Trust and Agency Funds:	
Combining Balance Sheet	33
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	34
Schedule of Indebtedness:	
Primary Government	35-53
Component Unit	54-56



Plante & Moran, PLLC

Suite 200
350 S. Main St.
Ann Arbor, MI 48104
Tel: 734.665.9494
Fax: 734.665.0664
plantemoran.com

Independent Auditor's Report

To the Mayor and City Council
City of Belleville, Michigan

We have audited the accompanying general purpose financial statements of the City of Belleville, Michigan as of June 30, 2003 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Belleville, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Belleville, Michigan as of June 30, 2003 and the results of its operations and cash flows of its proprietary fund type for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

November 19, 2003

A member of



A worldwide association of Independent accounting firms

City of Belleville, Michigan

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Assets			
Cash and cash equivalents (Note 2)	\$ -	\$ 166,741	\$ 7,901
Investments (Note 2)	-	197,000	-
Receivables:			
Taxes (Note 3)	68,059	-	-
Customers	-	-	-
Special assessment	-	-	-
Other	81,225	2,731	-
Due from other governmental units	179,620	-	-
Due from other funds (Note 4)	60,652	109,938	17,779
Due from component unit	-	-	-
Due from primary government	-	-	-
Prepaid expenses and other assets	2,130	-	-
Note receivable	-	-	-
Restricted assets (Note 5)	-	-	-
Capital assets (Note 6)	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
Total assets	<u>\$ 391,686</u>	<u>\$ 476,410</u>	<u>\$ 25,680</u>

Combined Balance Sheet
All Fund Types, Account Groups, and Component Unit
June 30, 2003

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Unit
Enterprise	Trust and Agency	General Fixed Assets	General Long-term Debt		
\$ 300,882	\$ 148,663	\$ -	\$ -	\$ 624,187	\$ 1,135,480
-	100,000	-	-	297,000	-
-	6,848	-	-	74,907	-
174,501	-	-	-	174,501	-
35,919	-	-	-	35,919	-
9,070	-	-	-	93,026	-
-	-	-	-	179,620	-
17,016	14,875	-	-	220,260	-
7,606	-	-	-	7,606	-
-	-	-	-	-	143,967
-	-	-	-	2,130	-
-	-	-	-	-	86,667
555,664	-	-	-	555,664	-
3,903,445	-	3,153,259	-	7,056,704	3,405,604
-	-	-	884,981	884,981	2,300,000
\$ 5,004,103	\$ 270,386	\$ 3,153,259	\$ 884,981	\$ 10,206,505	\$ 7,071,718

City of Belleville, Michigan

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Liabilities and Fund Equity (Deficit)			
Liabilities			
Bank overdraft	\$ 8,290	\$ -	\$ -
Accounts payable	40,873	47,723	-
Due to other governmental units	75,286	-	-
Due to other funds	139,123	33,346	-
Due to primary government	-	-	-
Due to component unit	100,634	43,333	-
Accrued and other liabilities	44,954	6,840	-
Deferred revenue	184,353	-	-
Long-term debt (Note 7)	-	-	-
Total liabilities	593,513	131,242	-
Fund Equity			
Investment in general fixed assets	-	-	-
Contributed capital (Note 9)	-	-	-
Retained earnings - Unreserved	-	-	-
Fund balances (deficit):			
Reserved:			
Expendable Trust Fund	-	-	-
Prepaid expenses	2,130	-	-
Perpetual care fund	-	-	-
Long-term receivable	-	-	-
Unreserved - Undesignated	(203,957)	345,168	25,680
Total fund equity (deficit)	(201,827)	345,168	25,680
Total liabilities and fund equity (deficit)	<u>\$ 391,686</u>	<u>\$ 476,410</u>	<u>\$ 25,680</u>

Combined Balance Sheet
All Fund Types, Account Groups, and Component Unit (Continued)
June 30, 2003

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Unit
Enterprise	Trust and Agency	General Fixed Assets	General Long-term Debt		
\$ -	\$ -	\$ -	\$ -	\$ 8,290	\$ -
68,734	6,899	-	-	164,229	20,792
-	4,100	-	-	79,386	-
37,603	10,188	-	-	220,260	-
-	-	-	-	-	7,606
-	-	-	-	143,967	-
20,428	35,816	-	-	108,038	392,396
-	-	-	-	184,353	-
<u>2,839,643</u>	<u>-</u>	<u>-</u>	<u>884,981</u>	<u>3,724,624</u>	<u>2,300,000</u>
2,966,408	57,003	-	884,981	4,633,147	2,720,794
-	-	3,153,259	-	3,153,259	3,405,604
1,872,275	-	-	-	1,872,275	-
165,420	-	-	-	165,420	-
-	18,519	-	-	18,519	-
-	-	-	-	2,130	-
-	194,864	-	-	194,864	-
-	-	-	-	-	86,667
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>166,891</u>	<u>858,653</u>
2,037,695	213,383	3,153,259	-	5,573,358	4,350,924
<u>\$ 5,004,103</u>	<u>\$ 270,386</u>	<u>\$ 3,153,259</u>	<u>\$ 884,981</u>	<u>\$ 10,206,505</u>	<u>\$ 7,071,718</u>

City of Belleville, Michigan

Combined Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) - All Governmental Fund Types, Expendable Trust Fund, and Component Unit Year Ended June 30, 2003

	Governmental Fund Types			Fiduciary Fund Type	Total Primary Government (Memorandum Only)	Component Unit
	General	Special Revenue	Capital Projects	Expendable Trust		
Revenue						
Property taxes	\$ 1,029,773	\$ -	\$ -	\$ -	\$ 1,029,773	\$ 1,019,815
Licenses and permits	2,599	69,069	-	-	71,668	-
Federal sources	58,937	-	-	-	58,937	-
State sources	478,334	239,548	-	-	717,882	-
District Court	31,668	-	-	-	31,668	-
Charges for services	204,771	71,661	-	-	276,432	-
Interest and rent	72,279	5,696	289	620	78,884	8,983
Other	85,137	2,192	-	18,261	105,590	5,572
Total revenue	1,963,498	388,166	289	18,881	2,370,834	1,034,370
Expenditures						
General government	385,008	-	-	-	385,008	307,646
Public safety	1,174,654	58,254	-	-	1,232,908	-
Public works	298,329	439,463	-	-	737,792	-
Recreation and cultural	198,715	-	-	-	198,715	-
Operations	-	90,229	-	-	90,229	-
Capital outlay	-	-	146,124	-	146,124	7,425
Debt service	-	43,333	-	-	43,333	331,382
Other	98,265	22,924	-	749	121,938	-
Total expenditures	2,154,971	654,203	146,124	749	2,956,047	646,453
Excess of Revenue Over (Under) Expenditures	(191,473)	(266,037)	(145,835)	18,132	(585,213)	387,917
Other Financing Sources (Uses)						
Other (Note 15)	-	-	-	-	-	467,535
Operating transfers in	39,028	-	124,410	180,000	343,438	-
Operating transfers out	(124,410)	(219,028)	-	-	(343,438)	-
Total other financing sources (uses)	(85,382)	(219,028)	124,410	180,000	-	467,535
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Uses	(276,855)	(485,065)	(21,425)	198,132	(585,213)	855,452
Fund Balances - July 1, 2002	75,028	830,233	47,105	15,251	967,617	89,868
Fund Balances (Deficit) - June 30, 2003	\$ (201,827)	\$ 345,168	\$ 25,680	\$ 213,383	\$ 382,404	\$ 945,320

City of Belleville, Michigan

Combined Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) - Budget and Actual General and Special Revenue Fund Types Year Ended June 30, 2003

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenue						
Property taxes	\$ 1,029,850	\$ 1,029,773	\$ (77)	\$ -	\$ -	\$ -
Licenses and permits	2,675	2,599	(76)	45,000	69,069	24,069
Federal sources	188,137	58,937	(129,200)	-	-	-
State sources	505,057	478,334	(26,723)	216,480	239,548	23,068
District Court	25,300	31,668	6,368	-	-	-
Charges for services	202,213	204,771	2,558	78,200	71,661	(6,539)
Interest and rent	84,338	72,279	(12,059)	10,400	5,696	(4,704)
Other	46,600	85,137	38,537	-	2,192	2,192
Total revenue	2,084,170	1,963,498	(120,672)	350,080	388,166	38,086
Expenditures						
General government	361,180	385,008	(23,828)	-	-	-
Public safety	1,162,340	1,174,654	(12,314)	53,550	58,254	(4,704)
Public works	345,035	298,329	46,706	108,520	439,463	(330,943)
Recreation and cultural	92,290	198,715	(106,425)	-	-	-
Operations	-	-	-	67,435	90,229	(22,794)
Debt service	-	-	-	-	43,333	(43,333)
Other	92,585	98,265	(5,680)	23,085	22,924	161
Total expenditures	2,053,430	2,154,971	(101,541)	252,590	654,203	(401,613)
Excess of Revenue Over (Under) Expenditures	30,740	(191,473)	(222,213)	97,490	(266,037)	(363,527)
Other Financing Sources (Uses)						
Operating transfers in	19,200	39,028	19,828	-	-	-
Operating transfers out	(122,690)	(124,410)	(1,720)	(199,200)	(219,028)	(19,828)
Total other financing sources (uses)	(103,490)	(85,382)	18,108	(199,200)	(219,028)	(19,828)
Excess of Expenditures and Other Uses Over Revenue and Other Financing Sources	(72,750)	(276,855)	(204,105)	(101,710)	(485,065)	(383,355)
Fund Balances - July 1, 2002	75,028	75,028	-	830,233	830,233	-
Fund Balances (Deficit) - June 30, 2003	<u>\$ 2,278</u>	<u>\$ (201,827)</u>	<u>\$ (204,105)</u>	<u>\$ 728,523</u>	<u>\$ 345,168</u>	<u>\$ (383,355)</u>

City of Belleville, Michigan

Statement of Revenue, Expenses, and Changes in Retained Earnings Proprietary Fund Type - Enterprise Fund Year Ended June 30, 2003

Operating Revenue	
Water sales	\$ 418,500
Sewage disposal	422,458
Charges for services	<u>39,845</u>
Total operating revenue	880,803
Operating Expenses	
Cost of water	191,185
Cost of sewage disposal	194,408
Operation and maintenance	93,436
General and administrative	197,546
Depreciation	<u>128,025</u>
Total operating expenses	<u>804,600</u>
Operating Income	76,203
Nonoperating Revenue (Expense)	
Interest income	21,836
Interest expense	<u>(310,996)</u>
Total nonoperating expense	<u>(289,160)</u>
Net Loss	(212,957)
Add Depreciation on Capital Assets (Note 9)	<u>44,609</u>
Decrease in Retained Earnings	(168,348)
Retained Earnings - July 1, 2002	<u>333,768</u>
Retained Earnings - June 30, 2003	<u><u>\$ 165,420</u></u>

City of Belleville, Michigan

Statement of Cash Flows Proprietary Fund Type - Enterprise Fund Year Ended June 30, 2003

Cash Flows from Operating Activities

Operating income	\$ 76,203
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation and amortization	128,025
Changes in assets and liabilities:	
Receivables	26,780
Due from other funds	10,320
Due from component units	(7,606)
Prepaid expenses	4,008
Accounts payable	(44,880)
Accrued and other liabilities	286
Due to other funds	21,648
Net cash provided by operating activities	214,784

Cash Flows from Capital and Related Financing Activities

Proceeds from issuance of debt	995,000
Transfer to escrow agent for defeased debt	(994,566)
Principal and interest paid on long-term debt	(789,318)
Decrease in restricted assets held by the County	68,661
Net cash used in capital and related financing activities	(720,223)

Cash Flows from Investing Activities - Interest received on investments 21,836

Net Decrease in Cash and Cash Equivalents (483,603)

Cash and Cash Equivalents - July 1, 2002 1,266,043

Cash and Cash Equivalents - June 30, 2003 \$ 782,440

Balance Sheet Classification of Cash and Cash Equivalents

Cash and cash equivalents	\$ 300,882
Restricted assets (Note 5)	481,558
Total	<u><u>\$ 782,440</u></u>

Noncash Investing, Capital, and Financing Activities - The City has assets held at Wayne County for the purpose of financing the construction of water and sewer lines. During the year ended June 30, 2003, interest income of \$5,607 was earned on these assets.

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the City of Belleville, Michigan (the "City") conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The City is governed by an elected five-member council. As required by generally accepted accounting principles, these financial statements present the City of Belleville, Michigan and its component unit. The individual component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationships with the City.

The Downtown Development Authority is reported within the component unit column in the combined financial statements. It is reported in a separate column to emphasize that it is legally separate from the City. The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of nine individuals, is selected by the City Council. In addition, the Authority's budget is subject to approval by the City Council.

Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The various funds are grouped, in the combined financial statements in this report, into generic fund types in three broad fund categories as follows:

Governmental Funds

General Fund - The General Fund contains the records of the ordinary activities of the City that are not accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue, and other sources.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

Capital Projects Fund - The Capital Projects Fund is used to account for the development of capital facilities other than those financed by the operations of the Enterprise Fund.

Note 1 - Summary of Significant Accounting Policies (Continued)

Proprietary Fund

Enterprise Fund - The Enterprise Fund is used to account for the results of operations that provide a service to citizens that is financed primarily by a user charge for the provision of that service.

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds. These include the Expendable Trust Fund and the Agency Fund. The Expendable Trust Fund is accounted for in the same manner as governmental funds. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

Basis of Accounting

The accrual basis of accounting is used by the proprietary fund. All governmental funds, the Expendable Trust Fund, the Agency Fund, and the component unit utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31, and the related property taxes are billed on July 1 of the following year. These taxes are due on August 31 and have a final collection date of February 28 before they are added to the county tax rolls. Those taxes become a lien on December 1 of the year billed.

- b. Noncurrent receivables, such as special assessments, are recorded at full value and deferred revenue is recorded for the portion not available for use to finance operations as of year end.
- c. Interest income on special assessments receivable is not accrued until its due date.
- d. Interest on bonded indebtedness and other long-term debt is not recorded as an expenditure until its due date.
- e. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.

Note I - Summary of Significant Accounting Policies (Continued)

- f. Normally, expenditures are not divided between years by the recording of prepaid expenses. Prepaid expenses reported in the General Fund represent advance payment for future year expenditures.
- g. The noncurrent portion of accumulated sick and vacation pay liabilities is reflected in the General Long-term Debt Account Group.

Fixed Assets and Long-term Liabilities - Fixed assets used in governmental fund-type operations are accounted for in the General Fixed Assets Account Group, rather than in the governmental funds. Such assets, which are recorded as expenditures at the time of purchase, do not include certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks, and lighting systems. No depreciation has been provided on general fixed assets.

All fixed assets are recorded at cost or, if donated, at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-term Debt Account Group, not in the governmental funds.

The General Fixed Assets Account Group and the General Long-term Debt Account Group are not funds and do not involve the measurement of results of operations.

Fixed assets and long-term liabilities relating to the proprietary fund are accounted for in that fund. Depreciation on such fixed assets is charged as an expense against the operations of the proprietary fund on a straight-line basis.

Cash Equivalents - For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. In addition, the statement of cash flows includes both restricted and unrestricted cash and cash equivalents.

Investments - Investments are recorded at fair value, based on quoted market prices.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 1 - Summary of Significant Accounting Policies (Continued)

Memorandum-only Totals - The total data presented is the aggregate of the fund types and account groups and is presented for analysis purposes only. No consolidating or other eliminations were made in arriving at the totals; therefore, they do not present consolidated information.

Other accounting policies are disclosed in other notes to financial statements.

Note 2 - Deposits and Investments

The City's deposits and investments are included on the balance sheet under the following classifications:

Cash and cash equivalents	\$ 624,187
Investments	297,000
Restricted assets (Note 5)	<u>481,558</u>
Total	<u>\$ 1,402,745</u>

The above amounts are classified by Governmental Accounting Standards Board Statement No. 3 in the following categories:

Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 1,202,521
Investments in U.S. government agency mortgage-backed securities	200,000
Petty cash or cash on hand	<u>224</u>
Total	<u>\$ 1,402,745</u>

Deposits

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$1,144,638. Of that amount, approximately \$800,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 2 - Deposits and Investments (Continued)

Investments

The City is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles. To the extent that cash from various funds has been pooled in an investment, related investment income is allocated to each fund based on relative participation in the pool, except that Agency Funds investment earnings are allocated to the General Fund.

The City's investments are categorized below to give an indication of the level of risk assumed by the entity. Risk Category 1 includes those investments that meet any one of the following criteria:

- a. Insured
- b. Registered
- c. Held by the City or its agent

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the City's name. Category 3 includes investments held by the counterparty or its trust department (or agent) but not in the City's name.

	Category			Carrying Amount
	1	2	3	(Fair Value)
U.S. government agency mortgage-backed securities	\$ -	\$200,000	\$ -	\$ 200,000

The City holds \$200,000 of U.S. government agency mortgage-backed securities that are obligations of the Federal National Mortgage Association. These investments are usually not backed by the full faith and credit of the U.S. government, but are generally considered to offer modest credit risks. The yields provided by these mortgage-backed securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.

Note 2 - Deposits and Investments (Continued)

Component Unit

The deposits of the City's component unit were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$1,135,480. Of this amount, approximately \$200,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized.

Note 3 - Property Taxes Receivable

The delinquent real property taxes of the City are purchased by the County of Wayne. The County sold tax notes in July 2003, the proceeds of which were used to pay the City for these property taxes. These taxes have been recorded as revenue for the current year.

Note 4 - Interfund Receivables

The following are the interfund receivables at June 30, 2003:

Fund Due To	Fund Due From	Amount
General Fund	Major Street Fund	\$ 10,302
	Budget Stabilization Fund	8,026
	Enterprise Fund	37,404
	Trust Fund	4,920
	Total General Fund	60,652
Special Revenue Funds:		
Major Streets Fund	General Fund	86,510
Local Streets Fund	General Fund	21,787
Local Streets Fund	Major Streets Fund	154
Local Streets Fund	Enterprise Fund	199
Cemetery Fund	General Fund	1,285
Building Fund	General Fund	3
	Total Special Revenue Funds	109,938

Note 4 - Interfund Receivables (Continued)

Fund Due To	Fund Due From	Amount
Capital Projects Fund	General Fund	\$ 17,779
Enterprise Fund	General Fund	11,748
	Trust and Agency Funds	<u>5,268</u>
	Total Enterprise Fund	17,016
Fiduciary Funds:		
Cemetery Trust Fund	Cemetery Special Revenue Fund	14,864
Trust Fund	General Fund	<u>11</u>
	Total Fiduciary Funds	<u>14,875</u>
	Total interfund receivables	<u><u>\$ 220,260</u></u>

Note 5 - Restricted Assets

Restricted assets at June 30, 2003 consist of the following:

Cash and cash equivalents	\$ 481,558
County sewage disposal system bonds - Assets held at the County for future debt payments	<u>74,106</u>
Total restricted assets	<u><u>\$ 555,664</u></u>

Net assets totaling \$74,106 are restricted for water line and sewer system construction, replacement and improvement, and debt service. These restricted assets result from the issuance of debt or the receipt of contributed capital. The remaining balance of \$481,558 results from special assessments and is restricted for debt service payments and construction of capital assets. Since all of the restricted assets are the result of issuance of debt or contributed capital, retained earnings have not been reserved.

City of Belleville, Michigan

Notes to Financial Statements June 30, 2003

Note 6 - Capital Assets

A summary of changes in general fixed assets follows:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Land	\$ 1,344,528	\$ -	\$ -	\$ 1,344,528
Land improvements	-	99,742	-	99,742
Buildings	446,550	-	-	446,550
Building improvements	284,438	71,878	-	356,316
Equipment, machinery, and vehicles	906,123	-	-	906,123
Total	<u>\$ 2,981,639</u>	<u>\$ 171,620</u>	<u>\$ -</u>	<u>\$ 3,153,259</u>

A summary of proprietary fund fixed assets at June 30, 2003 follows:

	Enterprise Fund	Depreciable Life - Years
Land	\$ 7,872	-
Utility system:		
Water system and equipment	958,746	5-50
Sewage collection system	5,029,679	30-40
Equipment and vehicles	<u>126,191</u>	5
Total	6,122,488	
Less accumulated depreciation	<u>(2,219,043)</u>	
Net	<u>\$ 3,903,445</u>	

City of Belleville, Michigan

Notes to Financial Statements June 30, 2003

Note 6 - Capital Assets (Continued)

In addition, a summary of changes in the component unit's fixed assets follows:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Land and land improvements	\$ 2,575,530	\$ -	\$ -	\$ 2,575,530
Storm sewers	815,661	-	-	815,661
Equipment and other	14,413	-	-	14,413
Total	<u>\$ 3,405,604</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,405,604</u>

Note 7 - Long-term Debt

Outstanding Debt

The following is a summary of the debt outstanding of the City:

	Number of Issues	Interest Rate	Maturing Through	Principal Outstanding
Enterprise Fund (Water and Sewer) - Contractual obligations with:				
Wayne County (Revenue Bonds)	3	3.75% - 7.3%	2023	\$ 1,865,000
Wayne County (General Obligations Bonds)	15	2.052%-6.898%	2021	974,643
Total Enterprise Fund debt				2,839,643
General Long-term Debt Account Group:				
Installment debt agreements	4	4.5%-9.0%	2016	772,089
Accumulated compensated absences	-	-	-	112,892
Total General Long-term Debt Account Group				884,981
Total primary government				<u>\$ 3,724,624</u>
Component unit - Contractual obligations with Wayne County	3	4.8%-7.25%	2014	<u>\$ 2,300,000</u>

The accumulated compensated absences represent the estimated liability to be paid governmental fund-type employees under the City's sick and vacation pay policy, net of the portion that is estimated will be paid currently. Under the City's policy, employees earn sick and vacation time based on time of service with the City.

City of Belleville, Michigan

Notes to Financial Statements June 30, 2003

Note 7 - Long-term Debt (Continued)

Changes in Long-term Debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2003:

	Primary Government			Component Unit
	General Obligations	Revenue Bonds	Total	General Obligations
Balance - July 1, 2002	\$ 2,034,708	\$ 2,290,000	\$ 4,324,708	\$ 2,445,000
New debt issued	-	995,000	995,000	-
Increase in compensated absences	6,555	-	6,555	-
Debt defeased	-	(940,000)	(940,000)	-
Debt retired	(181,639)	(480,000)	(661,639)	(145,000)
Balance - June 30, 2003	<u>\$ 1,859,624</u>	<u>\$ 1,865,000</u>	<u>\$ 3,724,624</u>	<u>\$ 2,300,000</u>

Debt Service Requirements

The annual requirements to service all debt outstanding as of June 30, 2003 (excluding accumulated compensated absences and capital leases), including both principal and interest, are as follows:

Years Ending June 30	Debt Serviced Through	
	Primary Government	Component Unit - Governmental Fund Resources
2004	\$ 352,587	\$ 313,898
2005	349,268	313,088
2006	358,054	304,550
2007	389,973	304,750
2008	353,927	302,064
Remaining years	<u>2,452,756</u>	<u>1,552,529</u>
Total	<u>\$ 4,256,565</u>	<u>\$ 3,090,879</u>

Note 7 - Long-term Debt (Continued)

Interest

Total interest incurred by the City and the component unit for the year approximated \$303,000 and \$109,000, respectively.

Defeased Debt

During the year, the City issued \$995,000 in Water Supply and Sewer Disposal System Revenue Bonds with an average interest rate of 4.3 percent; the proceeds were used to advance refund \$940,000 of outstanding revenue bonds with an average interest rate of 7.0 percent. The net proceeds of \$994,566 (after payment of \$32,000 in underwriting fees, insurance, and other issuance costs) plus an additional \$46,512 of Enterprise Fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the revenue bonds. As a result, the bonds are considered to be defeased and the liability for the bonds have been removed from the General Long-term Debt Account Group. The advance refunding reduced total debt service payments over the next 19 years by approximately \$109,000, which represents an economic gain of approximately \$75,500.

The City also retired the Water Supply and Sewer Disposal System Revenue Bonds, Series 1993 early with existing monies in the Enterprise Fund.

Note 8 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for employee injuries and medical benefit claims, and participates in the Michigan Municipal Risk Management Authority risk pool (as a state pool member) for claims relating to property loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

Note 9 - Contributed Capital

The following is an analysis of contributed capital for the year ended June 30, 2003:

	Balance July 1, 2002	Current Year Additions (Deletions)	Balance June 30, 2003
Water and Sewer Fund:			
Capital contributed by source:			
Sewer assessments levied	\$ 1,198,903	\$ -	\$ 1,198,903
Water and sewer lines contributed by developers	41,350	-	41,350
Water and sewer lines contributed by School District	53,143	-	53,143
Federal and state grants	353,023	-	353,023
Other	678,593	-	678,593
Total	2,325,012	-	2,325,012
Accumulated depreciation on fixed assets contributed/purchased with federal aid	(408,128)	(44,609)	(452,737)
Net Water and Sewer Fund	\$ 1,916,884	\$ (44,609)	\$ 1,872,275

Note 10 - Budget Information

The annual budget is prepared by the City management and adopted by the City Council; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2003 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles. The budget statement (combined statement of revenue, expenditures, and changes in fund balances - budget and actual - General and Special Revenue Fund types) is presented on the same basis of accounting used in preparing the adopted budget.

Note 10 - Budget Information (Continued)

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget as adopted by the City Council is included in the general purpose financial statements. A comparison of the actual results of operations to the Special Revenue Funds budgets as adopted by the City Council is available at the clerk's office for inspection. The budget and actual statement includes the following budget overruns for the Special Revenue Funds:

Special Revenue Funds	Budget	Actual	Variance
Major Streets:			
Public works	\$ 60,810	\$ 400,542	\$ (339,732)
Debt service	-	43,333	(43,333)
Cemetery - Operations	67,435	90,229	(22,794)
911 - Transfer out	19,200	39,028	(19,828)
Building Department - Public safety	53,550	58,254	(4,704)

The General Fund and Major Street Fund had a fund deficit at the end of the year. The City intends to remedy the deficit through future property tax collections, recognition of deferred revenue, and transfers from the Budget Stabilization Fund.

Note 11 - Postemployment Benefits

The City provides health care benefits and life insurance policies to certain full-time employees upon retirement in accordance with labor contracts. Currently, two retirees are eligible for each. Expenditures for postemployment benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$13,000.

Note 12 - Defined Benefit Pension Plan

Plan Description

The City contributes to the Michigan Municipal Employees' Retirement System (MMERS), an agent multiple-employer retirement system that covers all full-time employees of the City. The MMERS provides retirement benefits, as well as death and disability benefits. The MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the MMERS. That report may be obtained by writing to the MMERS at 1134 Municipal Way, Lansing, Michigan 48917.

Note 12 - Defined Benefit Pension Plan (Continued)

Funding Policy

The obligation to contribute to and maintain the MMERS for these employees was established by negotiation with the City's collective bargaining units.

Effective June 1, 2000, the City agreed to institute the F55/20 waiver of the Michigan Employees' Retirement System Plan. Employee contributions are twenty-six one hundredths of one percent (.26 percent) and employer contributions are fifty one hundredths of one percent (.50 percent).

Annual Pension Cost

For the year ended June 30, 2003, the City's annual pension cost of \$118,068 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2001, using an entry age normal actuarial method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, attributable to inflation, and (c) an additional projected salary increase of 0 percent to 4.16 percent per year, attributable to seniority/merit. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 28 years.

Three-year Trend Information

	Fiscal Year Ended June 30		
	2001	2002	2003
Annual pension cost (APC)	\$ 109,383	\$ 108,768	\$ 118,068
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
	Valuation as of December 31		
	2000	2001	2002
Actuarial value of assets	\$ 2,065,873	\$ 2,215,229	\$ 2,261,356
Actuarial accrued liability (entry age) (AAL)	\$ 2,888,887	\$ 3,287,330	\$ 3,659,825
Unfunded AAL (UAAL)	\$ 823,014	\$ 1,072,101	\$ 1,398,469
Funded ratio	71.51%	67.39%	61.79%
Covered payroll	\$ 839,210	\$ 845,236	\$ 845,447
UAAL as a percentage of covered payroll	98.07%	126.84%	165.41%

Note 13 - Commitment

The City had been named as a defendant in a lawsuit alleging violations of the Clean Water Act occurring in the Downriver Sewage Treatment System. Several other communities, including Wayne County, were also named as defendants. Under terms of the consent decree, the communities are required to undertake construction projects to expand the capacity of the system and eliminate any violations of the Clean Water Act. The estimated total cost of the project is approximately \$300,000,000, with the City's share estimated to be approximately \$2,323,000. To date, approximately \$418,000 has been collected through water and sewer rates for debt payments.

Note 14 - Joint Venture

The City of Belleville is a member of a joint venture with Van Buren and Sumpter Townships. The purpose is to provide library services to the residents of all participating communities. The participating communities provide annual funding for its operations, and it is the City of Belleville's responsibility to account for and remit these funds to Wayne County for services provided. During the current year, the City contributed approximately \$61,400 for its operations. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the joint venture can be obtained from the administrative offices at 6 Main Street, Belleville, MI.

The City of Belleville is a member of a joint venture with Sumpter Township. The purpose is to provide centralized communications, detention facilities, and other related operations to the citizens of the communities for public safety, health, and welfare. The participating communities provide annual funding for its operations. During the current year, the City contributed approximately \$150,300 for its operations. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Financial activity is maintained by Sumpter Township. Financial statements for the joint venture can be obtained from the administrative offices at 23480 Sumpter Road, Belleville, MI.

The City of Belleville, Michigan is a member of a joint venture with Van Buren Township. The purpose is to provide museum services to the residents of all participating communities. The participating communities provide annual funding for its operations. During the current year, the City contributed approximately \$27,000 for its operations. The City is unaware of any circumstances that would

Note 14 - Joint Venture (Continued)

cause an additional benefit or burden to the participating governments in the near future. Financial activity is maintained by Van Buren Township. Financial statements for the joint venture can be obtained from the administrative offices at 46425 Tyler Road, Belleville, MI.

The City of Belleville, Michigan is a member of a joint venture with Van Buren Township, Huron Township, Sumpter Township, and the City of Romulus. The purpose is to provide a shared information network to the local law enforcement agencies. The participating communities provide annual funding for its operations. During the current year, the City contributed approximately \$7,000 for its operations. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Financial activity is maintained by Van Buren Township. Financial statements for the joint venture can be obtained from the administrative offices at 46425 Tyler Road, Belleville, MI.

Note 15 - Escrowed for Property Taxes

In prior years, the State of Michigan had determined that, in fiscal years 1994 through 2002, the Downtown Development Authority (DDA) captured school-related property taxes in excess of the allowable amount. Accordingly, the DDA had recorded these amounts in excess of the state-determined allowable amount as a liability to the other taxing authorities. The City appealed this decision, and on July 31, 2003, the State enacted House Bill No. 4806 which allowed the City to keep captured property taxes. The DDA recognized the escrowed property taxes as revenue for the year ended June 30, 2003. According to the terms of a separate agreement, if these amounts became available, the DDA is to pay a developer \$200,000 plus interest of approximately \$22,000. This amount is included in accrued liabilities in the DDA.

Note 16 - Upcoming Reporting Change

For the year beginning July 1, 2003, the City plans to adopt GASB Statement No. 34. This will dramatically revise the information being reported in these financial statements. Governmental activities will report information by individually significant fund, as well as in total on the full accrual basis of accounting. Enterprise Funds will no longer report capital contributions as a direct increase to equity. Information is not available to present pro forma data that would show the effect of this future change.

Note 17 - Component Unit Financial Information

Condensed financial statements for the discretely presented component unit are presented below. A separately issued financial statement is not published for this component unit.

Balance Sheet - Downtown Development Authority

Assets	
Cash and cash equivalents	\$ 1,135,480
Due from primary government	143,967
Note receivable	86,667
Capital assets	3,405,604
Amount to be provided for retirement of general long-term debt	<u>2,300,000</u>
Total assets	<u><u>\$7,071,718</u></u>
Liabilities and Fund Equity	
Liabilities	
Accounts payable	\$ 20,792
Due to primary government	7,606
Accrued and other liabilities	392,396
Long-term debt	<u>2,300,000</u>
Total liabilities	2,720,794
Fund Equity	
Investment in general fixed assets	3,405,604
Reserved for long-term receivable	86,667
Unreserved - Undesignated	<u>858,653</u>
Total fund equity	<u><u>4,350,924</u></u>
Total liabilities and fund equity	<u><u>\$7,071,718</u></u>

Note 17 - Component Unit Financial Information (Continued)

Statement of Revenue, Expenditures, and Changes in Fund Balance - Downtown Development Authority

Revenue

Property taxes	\$ 1,019,815
Interest and rent	8,983
Miscellaneous	<u>5,572</u>
Total revenue	1,034,370

Expenditures

General government:

Salaries	53,093
Professional fees	36,569
Administration fees	77,470
Other	<u>140,514</u>

Total general government 307,646

Capital outlay - Victoria Commons 7,425

Debt service:

Belleville Bridge	10,738
Other	<u>320,644</u>

Total debt service 331,382

Total expenditures 646,453

Excess of Revenue Over Expenditures 387,917

Other Financing Sources - Release of escrowed funds 467,535

Excess of Revenue and Other Financing Sources Over Expenditures 855,452

Fund Balance - July 1, 2002 89,868

Fund Balance - June 30, 2003 \$ 945,320

Additional Information



Plante & Moran, PLLC

Suite 200
350 S. Main St.
Ann Arbor, MI 48104
Tel: 734.665.9494
Fax: 734.665.0664
plantemoran.com

To the Mayor and City Council
City of Belleville, Michigan

We have audited the general purpose financial statements of the City of Belleville, Michigan for the year ended June 30, 2003. Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The additional information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements of the City of Belleville, Michigan. This information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Plante & Moran, PLLC

November 19, 2003



A worldwide association of Independent accounting firms

City of Belleville, Michigan

General Fund

Schedule of Revenue, Expenditures, and Changes in Fund Balance (Deficit)

Budget and Actual

Year Ended June 30, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenue</u>			
Property Taxes			
Real and personal property taxes	\$ 980,000	\$ 987,162	\$ 7,162
Mobile home taxes	2,850	3,038	188
Property tax administration fees	30,000	28,183	(1,817)
Interest, penalties, and other	17,000	11,390	(5,610)
Total property taxes	1,029,850	1,029,773	(77)
Licenses and Permits	2,675	2,599	(76)
State Sources			
Revenue sharing	448,547	427,719	(20,828)
Wayne County grants	53,910	47,877	(6,033)
Liquor license fees	2,600	2,738	138
Total state sources	505,057	478,334	(26,723)
Federal Sources	188,137	58,937	(129,200)
District Court	25,300	31,668	6,368
Charges for Services			
Rubbish	101,000	103,551	2,551
Administrative services - Other funds	101,213	101,220	7
Total charges for services	202,213	204,771	2,558
Interest and Rent			
Interest	25,000	16,500	(8,500)
Rent	59,338	55,779	(3,559)
Total interest and rent	84,338	72,279	(12,059)
Other Revenue			
Cable TV franchise fees	40,000	31,762	(8,238)
Special assessment	-	31,649	31,649
Miscellaneous	6,600	21,726	15,126
Total other revenue	46,600	85,137	38,537
Total revenue	2,084,170	1,963,498	(120,672)

City of Belleville, Michigan

General Fund

Schedule of Revenue, Expenditures, and Changes in Fund Balance (Deficit) Budget and Actual (Continued) Year Ended June 30, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
<u>Expenditures</u>			
General Government			
City Council	\$ 19,700	\$ 26,926	\$ (7,226)
City manager	59,200	59,700	(500)
Elections	6,800	8,405	(1,605)
Clerk	57,520	54,119	3,401
Treasurer	107,125	113,926	(6,801)
Municipal building	110,835	121,932	(11,097)
Total general government	361,180	385,008	(23,828)
Public Safety			
Police	1,061,025	1,104,598	(43,573)
Fire	101,315	70,056	31,259
Total public safety	1,162,340	1,174,654	(12,314)
Public Works			
Department of Public Works	75,200	84,712	(9,512)
Street lighting	28,000	27,480	520
Sanitation	115,835	114,410	1,425
Block grant	126,000	52,454	73,546
Senior transportation	-	19,273	(19,273)
Total public works	345,035	298,329	46,706
Recreation and Cultural			
Parks	30,915	137,341	(106,426)
Library	61,375	61,374	1
Total recreation and cultural	92,290	198,715	(106,425)
Other Expenditures			
	92,585	98,265	(5,680)
Total expenditures	2,053,430	2,154,971	(101,541)
Other Financing Sources (Uses)			
Operating transfers in	19,200	39,028	19,828
Operating transfers out	(122,690)	(124,410)	(1,720)
Total other financing sources (uses)	(103,490)	(85,382)	18,108
Excess of Expenditures and Other Uses Over Revenue and Other Financing Sources	(72,750)	(276,855)	(204,105)
Fund Balance - July 1, 2002	75,028	75,028	-
Fund Balance (Deficit) - June 30, 2003	\$ 2,278	\$ (201,827)	\$ (204,105)

City of Belleville, Michigan

Special Revenue Funds Combining Balance Sheet June 30, 2003

	Major Streets	Local Streets	Cemetery	911	Building Department	Budget Stabilization	Total
Assets							
Cash and cash equivalents	\$ 8,943	\$ 42,476	\$ 41,520	\$ 9	\$ 32,367	\$ 41,426	\$ 166,741
Investments	-	-	-	-	-	197,000	197,000
Receivables	2,731	-	-	-	-	-	2,731
Due from other funds	86,510	22,140	1,285	-	3	-	109,938
Total assets	<u>\$ 98,184</u>	<u>\$ 64,616</u>	<u>\$ 42,805</u>	<u>\$ 9</u>	<u>\$ 32,370</u>	<u>\$ 238,426</u>	<u>\$ 476,410</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 42,966	\$ 124	\$ 1,135	\$ -	\$ 3,498	\$ -	\$ 47,723
Due to other funds	10,456	-	14,864	-	-	8,026	33,346
Due to component unit	43,333	-	-	-	-	-	43,333
Accrued and other liabilities	3,325	838	1,674	-	1,003	-	6,840
Total liabilities	100,080	962	17,673	-	4,501	8,026	131,242
Fund Balances (Deficit) - Unreserved - Undesignated							
	(1,896)	63,654	25,132	9	27,869	230,400	345,168
Total liabilities and fund balances	<u>\$ 98,184</u>	<u>\$ 64,616</u>	<u>\$ 42,805</u>	<u>\$ 9</u>	<u>\$ 32,370</u>	<u>\$ 238,426</u>	<u>\$ 476,410</u>

City of Belleville, Michigan

Special Revenue Funds Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) Year Ended June 30, 2003

	Major Streets	Local Streets	Cemetery	911	Building Department	Budget Stabilization	Total
Revenue							
State grants and distributions	\$ 150,485	\$ 51,926	\$ -	\$ 37,137	\$ -	\$ -	\$ 239,548
Charges for services	-	-	71,661	-	-	-	71,661
Licenses and permits	-	-	-	-	69,069	-	69,069
Cable franchise fees	827	1,350	-	-	-	-	2,177
Interest	1,493	519	3,388	10	286	-	5,696
Miscellaneous	-	-	15	-	-	-	15
Total revenue	152,805	53,795	75,064	37,147	69,355	-	388,166
Expenditures							
Public safety	-	-	-	-	58,254	-	58,254
Public works	400,542	38,921	-	-	-	-	439,463
Operations	-	-	90,229	-	-	-	90,229
Debt service	43,333	-	-	-	-	-	43,333
Other expenditures	12,140	4,061	6,723	-	-	-	22,924
Total expenditures	456,015	42,982	96,952	-	58,254	-	654,203
Excess of Revenue Over (Under) Expenditures	(303,210)	10,813	(21,888)	37,147	11,101	-	(266,037)
Operating Transfer Out	-	-	180,000	39,028	-	-	219,028
Excess of Revenue Over (Under) Expenditures and Operating Transfer Out	(303,210)	10,813	(201,888)	(1,881)	11,101	-	(485,065)
Fund Balance - July 1, 2002	301,314	52,841	227,020	1,890	16,768	230,400	830,233
Fund Balances (Deficit) - June 30, 2003	\$ (1,896)	\$ 63,654	\$ 25,132	\$ 9	\$ 27,869	\$ 230,400	\$ 345,168

City of Belleville, Michigan

Trust and Agency Funds Combining Balance Sheet June 30, 2003

	Expendable Trust Fund	Cemetery Trust Fund	Agency Fund	Total
Assets				
Cash and cash equivalents	\$ 18,519	\$ 80,000	\$ 50,144	\$ 148,663
Investments	-	100,000	-	100,000
Taxes receivable	-	-	6,848	6,848
Due from other funds	-	14,864	11	14,875
Total assets	\$ 18,519	\$ 194,864	\$ 57,003	\$ 270,386
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 6,899	\$ 6,899
Due to other governmental units	-	-	4,100	4,100
Due to other funds	-	-	10,188	10,188
Deposits payable	-	-	35,816	35,816
Total liabilities	-	-	57,003	57,003
Fund Balances - Reserved for				
Tri-Centennial	6,523	-	-	6,523
Drug Forfeiture	3,144	-	-	3,144
Skate Park	2,695	-	-	2,695
Seatbelt Program	849	-	-	849
Pavillion	1,000	-	-	1,000
Tri-Community Youth Board	2,031	-	-	2,031
Master Plan	2,277	-	-	2,277
Cemetery Perpetual Care	-	194,864	-	194,864
Total fund balances	18,519	194,864	-	213,383
Total liabilities and fund balances	\$ 18,519	\$ 194,864	\$ 57,003	\$ 270,386

City of Belleville, Michigan

Trust and Agency Funds Combining Statement of Revenue, Expenditures and Changes in Fund Balances Year Ended June 30, 2003

	Expendable Trust Fund	Cemetery Trust Fund	Total
Revenue			
Interest	\$ 620	\$ -	\$ 620
Miscellaneous	<u>3,397</u>	<u>14,864</u>	<u>18,261</u>
Total revenue	4,017	14,864	18,881
Expenditures - Other	<u>749</u>	<u>-</u>	<u>749</u>
Excess of Revenue Over Expenditures	3,268	14,864	18,132
Other Financing Sources - Operating			
transfers in	<u>-</u>	<u>180,000</u>	<u>180,000</u>
Excess of Revenue and Other Financing Sources Over Expenditures	3,268	194,864	198,132
Fund Balances - July 1, 2002	<u>15,251</u>	<u>-</u>	<u>15,251</u>
Fund Balances - June 30, 2003	<u><u>\$ 18,519</u></u>	<u><u>\$ 194,864</u></u>	<u><u>\$ 213,383</u></u>

City of Belleville, Michigan

Schedule of Indebtedness Primary Government June 30, 2003

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30 2003	2002

Enterprise Fund Obligations

Contractual obligations with Wayne County:

City of Belleville, County of Wayne
Water Supply and Sewer Disposal
System Revenue Bonds, Series 1992A
Date of issue - March 26, 1992
Amount of issue - \$550,000

7.000	07/01/02-03	\$	25,000	\$	25,000	\$	50,000
7.100	07/01/04-05		30,000		60,000		60,000
7.100	07/01/06		35,000		35,000		35,000
7.200	07/01/07		35,000		35,000		35,000
7.200	07/01/08-09		40,000		80,000		80,000
7.300	07/01/10-12		45,000		135,000		135,000
					<u>370,000</u>		<u>395,000</u>

City of Belleville, Michigan

Schedule of Indebtedness Primary Government (Continued) June 30, 2003

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30 2003	2002

Enterprise Fund Obligations (Continued)

Contractual obligations with Wayne County (Continued):

City of Belleville, County of Wayne
Water Supply and Sewer Disposal
System Revenue Bonds, Series 1992B
Date of issue - August 28, 1992
Amount of issue - \$620,000

6.945	07/01/02	\$	10,000	*	\$	10,000
6.935	07/01/03-05		15,000	*		45,000
6.986	07/01/06		15,000	*		15,000
7.042	07/01/07-09		20,000	*		60,000
7.101	07/01/10		20,000	*		20,000
7.187	07/01/11-12		25,000	*		50,000
7.243	07/01/13		25,000	*		25,000
7.341	07/01/14-15		30,000	*		60,000
7.447	07/01/16		30,000	*		30,000
7.613	07/01/17		35,000	*		35,000
7.742	07/01/18		35,000	*		35,000
8.120	07/01/19-20		40,000	*		80,000
10.111	07/01/21		40,000	*		40,000
10.111	07/01/22		45,000	*		45,000
				*		550,000

* The City issued bonds to advance refund this obligation during the year ended June 30, 2003 with the Water Supply and Sewer Disposal System Revenue Bonds, Series 2002.

City of Belleville, Michigan

Schedule of Indebtedness Primary Government (Continued) June 30, 2003

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30 2003	2002

Enterprise Fund Obligations (Continued)

Contractual obligations with Wayne County (Continued):

City of Belleville, County of Wayne
Water Supply and Sewer Disposal
System Revenue Bonds, Series 1993
Date of issue - June 25, 1993
Amount of issue - \$675,000

6.000	07/01/02	\$	45,000	**	\$	45,000
6.200	07/01/03		50,000	**		50,000
6.200	07/01/04		55,000	**		55,000
6.300	07/01/05		60,000	**		60,000
6.400	07/01/06-07		65,000	**		130,000
6.400	07/01/08		70,000	**		70,000
				**		410,000

** Debt retired early

City of Belleville, Michigan

Schedule of Indebtedness Primary Government (Continued) June 30, 2003

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30 2003	2002

Enterprise Fund Obligations (Continued)

Contractual obligations with Wayne County (Continued):

City of Belleville, County of Wayne
Water Supply and Sewer Disposal
System Revenue Bonds, Series 1994
Date of issue - September 1, 1994
Amount of issue - \$995,000

6.000	07/01/02	\$	35,000	\$	-	\$	35,000
6.000	07/01/03		45,000		45,000		45,000
6.000	07/01/04		50,000		50,000		50,000
6.000	07/01/05		60,000		60,000		60,000
6.000	07/01/06		65,000		65,000		65,000
6.000	07/01/07		75,000		75,000		75,000
6.000	07/01/08		85,000		85,000		85,000
6.050	07/01/09		100,000		100,000		100,000
6.250	07/01/10	***	20,000		20,000		420,000
					500,000		935,000

*** The City issued bonds to partially refund this obligation during fiscal year ended June 30, 2003 with the Water Supply and Sewer Disposal System Revenue Bonds, Series 2002.

City of Belleville, Michigan

Schedule of Indebtedness Primary Government (Continued) June 30, 2003

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30 2003	2002

Enterprise Fund Obligations (Continued)

Contractual obligations with Wayne County (Continued):

City of Belleville, County of Wayne
Water Supply and Sewer Disposal
System Revenue Bonds, Series 2002
Date of issue - November 14, 2002
Amount of issue - \$995,000

3.75	07/01/04	\$	20,000	\$	20,000	\$	-
3.75	07/01/05-06		25,000		50,000		-
3.75	07/01/07-09		30,000		90,000		-
4.20	07/01/10		115,000		115,000		-
4.20	07/01/11-12		135,000		270,000		-
4.80	07/01/13		130,000		130,000		-
4.80	07/01/14-16		30,000		90,000		-
5.10	07/01/17-18		35,000		70,000		-
5.40	07/01/19-22		40,000		160,000		-
					995,000		-
Total Water and Sewer Revenue Bonds					1,865,000		2,290,000

City of Belleville, Michigan

Schedule of Indebtedness Primary Government (Continued) June 30, 2003

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30	
				2003	2002

Enterprise Fund Obligations (Continued)

Contractual obligations with Wayne County (Continued):

Downriver Sewage Disposal Bonds, Series A

Date of issue - November 1, 1994

Amount of issue - \$35,500

6.847	11/01/02	\$	1,682	\$	-	\$	1,682
6.898	11/01/03		1,811		1,811		1,811
6.949	11/01/04		*		*		*
7.000	11/01/05		*		*		*
7.000	11/01/06		*		*		*
7.000	11/01/07-09		*		*		*
7.000	11/01/10-13		*		*		*
					1,811		3,493

Downriver Sewage Disposal Bonds, Series A

Date of issue - November 1, 1999

Amount of issue - \$25,565

4.780	11/01/02		216		-		216
4.789	11/01/03		216		216		216
4.790	11/01/04		1,968		1,968		1,968
4.818	11/01/05		2,066		2,066		2,066
4.845	11/01/06		2,165		2,165		2,165
4.883	11/01/07		2,263		2,263		2,263
4.924	11/01/08		2,362		2,362		2,362
4.970	11/01/09		2,460		2,460		2,460
5.008	11/01/10		2,578		2,578		2,578
5.045	11/01/11		2,716		2,716		2,716
5.062	11/01/12		2,854		2,854		2,854
5.145	11/01/13		2,993		2,993		2,993
					24,641		24,857

* A portion of the bonds was refinanced with the 1999 Series A, Downriver Sewage Disposal Bonds.

City of Belleville, Michigan

Schedule of Indebtedness Primary Government (Continued) June 30, 2003

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30 2003	2002

Enterprise Fund Obligations (Continued)

Contractual obligations with Wayne County (Continued):

Downriver Sewage Disposal Bonds, Series B

Date of issue - November 1, 1999

Amount of issue - \$145,863

4.882	11/01/02	\$	5,395	\$	-	\$	5,395
4.899	11/01/03		5,638		5,638		5,638
4.916	11/01/04		5,881		5,881		5,881
4.937	11/01/05		6,124		6,124		6,124
4.961	11/01/06		6,416		6,416		6,416
4.995	11/01/07		6,707		6,707		6,707
5.028	11/01/08		6,999		6,999		6,999
5.052	11/01/09		7,339		7,339		7,339
2.078	11/01/10		7,680		7,680		7,680
5.099	11/01/11		8,068		8,068		8,068
5.110	11/01/12		8,457		8,457		8,457
5.126	11/01/13		8,895		8,895		8,895
5.126	11/01/14		9,721		9,721		9,721
5.126	11/01/15		9,818		9,818		9,818
5.126	11/01/16		10,353		10,353		10,353
5.126	11/01/17		10,887		10,887		10,887
5.126	11/01/18		11,424		11,424		11,424
					130,407		135,802

City of Belleville, Michigan

Schedule of Indebtedness Primary Government (Continued) June 30, 2003

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30 2003	2002

Enterprise Fund Obligations (Continued)

Contractual obligations with Wayne County (Continued):

State Revolving Fund - Project 5117-02

Date of issue - October 1, 1994

Amount of issue - \$21,323

2.052	10/01/02	\$	964	\$	-	\$	964
2.052	10/01/03-04		1,024		2,048		2,048
2.052	10/01/05-08		1,084		4,336		4,336
2.052	10/01/09		1,144		1,144		1,144
2.052	10/01/10-11		1,205		2,410		2,410
2.052	10/01/12		1,265		1,265		1,265
2.052	10/01/13-14		1,325		2,592		2,650
					13,795		14,817

State Revolving Fund - Project 5117-03

Date of issue - October 1, 1994

Amount of issue - \$170,554

2.250	10/01/02		7,791		-		7,791
2.250	10/01/03		7,972		7,972		7,972
2.250	10/01/04		8,153		8,153		8,153
2.250	10/01/05		8,334		8,334		8,334
2.250	10/01/06		8,576		8,576		8,576

City of Belleville, Michigan

Schedule of Indebtedness Primary Government (Continued) June 30, 2003

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30 2003	2002

Enterprise Fund Obligations (Continued)

Contractual obligations with Wayne County (Continued):

State Revolving Fund - Project 5117-03 (Continued)

2.250	10/01/07	\$	8,757	\$	8,757	\$	8,757
2.250	10/01/08		8,938		8,938		8,938
2.250	10/01/09		9,180		9,180		9,180
2.250	10/01/10		9,361		9,361		9,361
2.250	10/01/11		9,542		9,542		9,542
2.250	10/01/12		9,784		9,784		9,784
2.250	10/01/13		10,026		10,026		10,026
2.250	10/01/14		10,267		10,267		10,267
2.250	10/01/15		10,448		10,448		10,448
					119,338		127,129

State Revolving Fund - Project 5117-18, 19, and 21 Date of issue - October 1, 1996

2.250	10/01/02		1,619		-		1,619
2.250	10/01/03		1,663		1,663		1,663
2.250	10/01/04		1,695		1,695		1,695
2.250	10/01/05		1,734		1,734		1,734
2.250	10/01/06		1,767		1,767		1,767
2.250	10/01/07		1,812		1,812		1,812

City of Belleville, Michigan

Schedule of Indebtedness Primary Government (Continued) June 30, 2003

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30 2003	2002

Enterprise Fund Obligations (Continued)

Contractual obligations with Wayne County (Continued):

State Revolving Fund - Project 5117-18, 19, and 21 (Continued):

2.250	10/01/08	\$	1,858	\$	1,858	\$	1,858
2.250	10/01/09		1,897		1,897		1,897
2.250	10/01/10		1,942		1,942		1,942
2.250	10/01/11		1,994		1,994		1,994
2.250	10/01/12		2,033		2,033		2,033
2.250	10/01/13		2,072		2,072		2,072
2.250	10/01/14		2,124		2,124		2,124
2.250	10/01/15		2,169		2,169		2,169
2.250	10/01/16		2,161		2,161		2,161
2.250	10/01/17		2,017		2,016		2,017
					28,937		30,557

State Revolving Fund - Project 5117-23
Date of issue - October 1, 1996

2.250	10/01/02-03		6		6		12
2.250	10/01/04-11		7		56		56
2.250	10/01/12-17		8		46		48
					108		116

City of Belleville, Michigan

Schedule of Indebtedness Primary Government (Continued) June 30, 2003

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30 2003	2002

Enterprise Fund Obligations (Continued)

Contractual obligations with Wayne County (Continued):

State Revolving Fund - Project 5117-15

Date of issue - October 1, 1996

2.250	10/01/02	\$	22,333	\$	-	\$	22,333
2.250	10/01/03		22,859		22,859		22,859
2.250	10/01/04		23,386		23,386		23,386
2.250	10/01/05		23,913		23,913		23,913
2.250	10/01/06		24,439		24,439		24,439
2.250	10/01/07		25,019		25,019		25,019
2.250	10/01/08		25,598		25,598		25,598
2.250	10/01/09		26,125		26,125		26,125
2.250	10/01/10		26,757		26,757		26,757
2.250	10/01/11		27,389		27,389		27,389
2.250	10/01/12		27,968		27,968		27,968
2.250	10/01/13		28,653		28,653		28,653
2.250	10/01/14		29,232		29,232		29,232
2.250	10/01/15		29,970		29,970		29,970
2.250	10/01/16		30,602		30,602		30,602
2.250	10/01/17		31,339		31,339		31,339
2.250	10/01/18		32,024		32,025		32,024
					435,274		457,606

City of Belleville, Michigan

Schedule of Indebtedness Primary Government (Continued) June 30, 2003

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30 2003	2002

Enterprise Fund Obligations (Continued)

Contractual obligations with Wayne County (Continued):

State Revolving Fund - Project 5117-24

Date of issue - October 1, 1997

2.250	10/01/02	\$	387	\$	-	\$	387
2.250	10/01/03		396		396		396
2.250	10/01/04		405		405		405
2.250	10/01/05		415		415		415
2.250	10/01/06		423		423		423
2.250	10/01/07		433		433		433
2.250	10/01/08		443		443		443
2.250	10/01/09		453		453		453
2.250	10/01/10		463		463		463
2.250	10/01/11		474		474		474
2.250	10/01/12		485		485		485
2.250	10/01/13		495		495		495
2.250	10/01/14		507		507		507
2.250	10/01/15		519		519		519
2.250	10/01/16		530		530		530
2.250	10/01/17		542		542		542
2.250	10/01/18		555		555		555
2.250	10/01/19		567		567		567
2.250	10/01/20		582		582		582
					8,687		9,074

City of Belleville, Michigan

Schedule of Indebtedness Primary Government (Continued) June 30, 2003

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30 2003	2002

Enterprise Fund Obligations (Continued)

Contractual obligations with Wayne County (Continued):

State Revolving Fund - Project 5117-31

Date of issue - October 1, 1997

2.250	10/01/02	\$	2,025	\$	-	\$	2,025
2.250	10/01/03-04		2,086		4,172		4,172
2.250	10/01/05		2,148		2,148		2,148
2.250	10/01/06		2,209		2,209		2,209
2.250	10/01/07		2,271		2,271		2,271
2.250	10/01/08-09		2,332		4,664		4,664
2.250	10/01/10-11		2,455		4,910		4,910
2.250	10/01/12		2,516		2,516		2,516
2.250	10/01/13		2,577		2,577		2,577
2.250	10/01/14-15		2,700		5,400		5,400
2.250	10/01/16		2,762		2,762		2,762
2.250	10/01/17		2,823		2,823		2,823
2.250	10/01/18		2,885		2,885		2,885
					39,337		41,362

City of Belleville, Michigan

Schedule of Indebtedness Primary Government (Continued) June 30, 2003

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30 2003	2002

Enterprise Fund Obligations (Continued)

Contractual obligations with Wayne County (Continued):

State Revolving Fund - Project 5117-25

Date of issue - October 1, 1999

2.250	10/01/02	\$	66	\$	-	\$	66
2.250	10/01/03		68		68		68
2.250	10/01/04		69		69		69
2.250	10/01/05		71		71		71
2.250	10/01/06		72		72		72
2.250	10/01/07		74		74		74
2.250	10/01/08		76		76		76
2.250	10/01/09		78		78		78
2.250	10/01/10		79		79		79
2.250	10/01/11		81		81		81
2.250	10/01/12		83		83		83
2.250	10/01/13		85		85		85
2.250	10/01/14		87		87		87
2.250	10/01/15		89		89		89
2.250	10/01/16		91		91		91
2.250	10/01/17		93		93		93
2.250	10/01/18		95		95		95
2.250	10/01/19		97		97		97
2.250	10/01/20		98		98		98
					1,486		1,552

City of Belleville, Michigan

Schedule of Indebtedness Primary Government (Continued) June 30, 2003

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30 2003	2002

Enterprise Fund Obligations (Continued)

Contractual obligations with Wayne County (Continued):

State Revolving Fund - Project 5117-20

Date of issue - October 1, 1999

2.250	10/01/02-03	\$	33	\$	33	\$	66
2.250	10/01/04		34		34		34
2.250	10/01/05		35		35		35
2.250	10/01/06		36		36		36
2.250	10/01/07		37		37		37
2.250	10/01/08		38		38		38
2.250	10/01/09		39		39		39
2.250	10/01/10		40		40		40
2.250	10/01/11		41		41		41
2.250	10/01/12		42		42		42
2.250	10/01/13		43		43		43
2.250	10/01/14		44		44		44
2.250	10/01/15		45		45		45
2.250	10/01/16		46		46		46
2.250	10/01/17		47		47		47
2.250	10/01/18		48		48		48
2.250	10/01/19		50		50		50
2.250	10/01/20		51		51		51
					749		782

City of Belleville, Michigan

Schedule of Indebtedness Primary Government (Continued) June 30, 2003

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30 2003	2002

Enterprise Fund Obligations (Continued)

Contractual obligations with Wayne County (Continued):

State Revolving Fund - Project 5117-32

Date of issue - October 1, 1999

2.250	10/01/02	\$	5,372	\$	-	\$	5,372
2.250	10/01/03		5,480		5,480		5,480
2.250	10/01/04		5,587		5,587		5,587
2.250	10/01/05		5,749		5,749		5,749
2.250	10/01/06		5,856		5,856		5,856
2.250	10/01/07		6,017		6,017		6,017
2.250	10/01/08		6,125		6,125		6,125
2.250	10/01/09		6,286		6,286		6,286
2.250	10/01/10		6,393		6,393		6,393
2.250	10/01/11		6,554		6,554		6,554
2.250	10/01/12		6,716		6,716		6,716
2.250	10/01/13		6,876		6,876		6,876
2.250	10/01/14		7,038		7,038		7,038
2.250	10/01/15		7,199		7,199		7,199
2.250	10/01/16		7,360		7,360		7,360
2.250	10/01/17		7,521		7,521		7,521
2.250	10/01/18		7,683		7,683		7,683
2.250	10/01/19		7,844		7,844		7,844
					112,284		117,656

City of Belleville, Michigan

Schedule of Indebtedness Primary Government (Continued) June 30, 2003

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30 2003	2002

Enterprise Fund Obligations (Continued)

Contractual obligations with Wayne County (Continued):

State Revolving Fund - Project 5117-01

Date of issue - April 1, 2000

2.500	10/01/02	\$	51	\$	-	\$	51
2.500	10/01/03-10		63		504		504
2.500	10/01/11-16		76		456		456
2.500	10/01/17-20		88		352		352
					1,312		1,363

State Revolving Fund - Project 5117-34

Date of issue - April 1, 2000

2.500	04/01/02		2,414		-		2,414
2.500	04/01/03		2,474		-		2,474
2.500	04/01/04		2,534		2,534		2,534
2.500	04/01/05		2,595		2,595		2,595
2.500	04/01/06		2,655		2,655		2,655
2.500	04/01/07		2,715		2,715		2,715
2.500	04/01/08		2,776		2,776		2,776
2.500	04/01/09		2,836		2,836		2,836
2.500	04/01/10		2,896		2,896		2,896
2.500	04/01/11		3,017		3,017		3,017
2.500	04/01/12		3,077		3,077		3,077
2.500	04/01/13		3,138		3,138		3,138
2.500	04/01/14		3,198		3,198		3,198
2.500	04/01/15		3,319		3,319		3,319
2.500	04/01/16		3,379		3,379		3,379
2.500	04/01/17		3,500		3,500		3,500
2.500	04/01/18		3,560		3,560		3,560
2.500	04/01/19		3,681		3,681		3,681

City of Belleville, Michigan

Schedule of Indebtedness Primary Government (Continued) June 30, 2003

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30 2003	2002

Enterprise Fund Obligations (Continued)

Contractual obligations with Wayne County (Continued):

State Revolving Fund - Project 5117-34 (Continued)

2.500	04/01/20	\$	3,741	\$	3,741	\$	3,741
2.500	04/01/21		3,860		3,860		3,860
					56,477		61,365
Total Water and Sewer general obligation debt					974,643		1,027,531
Total Enterprise Fund obligations					\$ 2,839,643		\$ 3,317,531

General Long-term Debt Account Group - Installment debt obligations

Fire truck

Date of issue - April 28, 1998

Amount of issue - \$221,000

4.900	08/31/02	\$	33,360	\$	-	\$	33,360
4.900	08/31/03		34,995		34,995		34,995
4.900	08/31/04		27,451		27,451		27,451
					62,446		95,806

Land contract

Date of issue - June 28, 2000

Amount of issue - \$90,408

Paid monthly with a balloon
payment on 03/31/07

9.000	06/28/02-02/28/07		6,528		37,346		43,874
9.000	03/31/07		33,478		33,478		33,478
					70,824		77,352

City of Belleville, Michigan

Schedule of Indebtedness Primary Government (Continued) June 30, 2003

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30 2003	2002

General Long-term Debt Account Group - Installment debt obligations (Continued)

Land contract

Date of issue - January 11, 2001

Amount of issue - \$620,000

Paid monthly

6.200	01/11/02-12/11/15	\$	26,700- 55,156	\$	552,152	\$	580,556
-------	-------------------	----	-------------------	----	---------	----	---------

Note payable to Downtown Development Authority, City of Belleville

Date of issue - June 28, 2002

Amount of issue - \$130,000

Paid annually

4.500	06/30/03-06/30/05		43,333		86,667		130,000
-------	-------------------	--	--------	--	--------	--	---------

Total General Long-term Debt Account

Group - Installment debt obligations		\$	<u>772,089</u>	\$	<u>883,714</u>
--------------------------------------	--	----	----------------	----	----------------

City of Belleville, Michigan

Schedule of Indebtedness Component Unit June 30, 2003

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30 2003	2002

General Obligation Debt - Component Unit

Contractual obligations with Wayne County

City of Belleville, County of Wayne

General Obligation Downtown Development Limited

Tax Bond, Series 1994A

Date of issue - December 21, 1994

Amount of issue - \$1,075,000

6.150	11/01/02	\$	45,000	\$	-	\$	45,000
6.300	11/01/03		50,000		50,000		50,000
6.500	11/01/04		55,000		55,000		55,000
6.600	11/01/05		55,000		55,000		55,000
6.700	11/01/06		60,000		60,000		60,000
6.800	11/01/07		65,000		65,000		65,000
6.900	11/01/08		70,000		70,000		70,000
7.000	11/01/09		75,000		75,000		75,000
7.100	11/01/10		80,000		80,000		80,000
7.100	11/01/11		85,000		85,000		85,000
7.100	11/01/12		90,000		90,000		90,000
7.100	11/01/13		100,000		100,000		100,000
					785,000		830,000

City of Belleville, Michigan

Schedule of Indebtedness Component Unit (Continued) June 30, 2003

Description	Interest	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
	Rate (Percent)			June 30 2003	2002

General Obligation Debt - Component Unit (Continued)

Contractual obligations with Wayne County (Continued):

City of Belleville, County of Wayne

General Obligation Downtown Development Limited

Tax Bond, Series 1994B

Date of issue - December 30, 1994

Amount of issue - \$825,000

7.500	05/01/03	\$	50,000	\$	-	\$	50,000
7.000	05/01/04		70,000		70,000		70,000
7.050	05/01/05		70,000		70,000		70,000
7.100	05/01/06		70,000		70,000		70,000
7.150	05/01/07		70,000		70,000		70,000
7.200	05/01/08-10		70,000		210,000		210,000
7.250	05/01/11-13		70,000		210,000		210,000
					<u>700,000</u>		<u>750,000</u>

City of Belleville, Michigan

Schedule of Indebtedness Component Unit (Continued) June 30, 2003

Description	Interest	Date of Maturity	Amount	Principal Outstanding	
	Rate		of Annual	June 30	
	(Percent)		Maturity	2003	2002
General Obligation Debt - Component Unit (Continued)					
Contractual obligations with Wayne County (Continued):					
City of Belleville, County of Wayne					
General Obligation Debt					
Date of issue - April 1, 2000					
Amount of issue - \$950,000					
	4.65	11/01/02	\$ 50,000	\$ -	\$ 50,000
	4.80	11/01/03	50,000	50,000	50,000
	4.90	11/01/04	55,000	55,000	55,000
	5.00	11/01/05	60,000	60,000	60,000
	5.10	11/01/06	65,000	65,000	65,000
	5.15	11/01/07	70,000	70,000	70,000
	5.20	11/01/08	75,000	75,000	75,000
	5.25	11/01/09	75,000	75,000	75,000
	5.30	11/01/10	80,000	80,000	80,000
	5.35	11/01/11	90,000	90,000	90,000
	5.40	11/01/12	95,000	95,000	95,000
	5.40	11/01/13	100,000	100,000	100,000
				815,000	865,000
Total contractual obligations with Wayne County - Component unit				\$ 2,300,000	\$ 2,445,000

November 19, 2003

Honorable Mayor and Members
of the City Council
City of Belleville
6 Main Street
Belleville, MI 48111

Dear Mayor and Council Members:

We have recently completed our audit of the financial statements of the City of Belleville, Michigan for the year ended June 30, 2003. In addition to the audit report, we offer the following comments and recommendations for your consideration.

STATE REVENUE SHARING AND GENERAL FUND DEFICIT

The City has and will continue to feel the effects of the slow down in the State's economy. State shared revenue accounts for approximately 22 percent of the City's total General Fund revenue. Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue sharing payments to local units of government) and the State's budget problems which have resulted in additional appropriation reductions to the revenue sharing line item in the State's budget, revenue sharing payments for the State's fiscal years ending September 30, 2002 and 2003 were less than originally projected.

Currently, the State's 2003/2004 fiscal year budget includes another reduction to state shared revenue of 3% from fiscal year 2002/2003 levels. This budget includes several very significant assumptions which may not be realized. Additionally, it is generally acknowledged that the State's budget woes will continue for several more years. As a result, we continue to urge the City to be conservative in its estimation of state shared revenue as this line item in the State's budget remains vulnerable.

State shared revenue actually received for the City's 2001 year end was approximately \$467,000, while the City's currently budgeted to receive approximately \$425,000 during the State's 2004 fiscal year end. This reduction of \$42,000 represents an overall decrease in the funding of state shared revenue of approximately 9 percent over the period 2001 through 2004.

The decrease in state shared revenue coupled with the timing of grant proceeds not received within sixty days of year end, has resulted in a significant deficit in the general fund. The City budgeted for a slight decrease in the general fund's fund balance for fiscal year ending June 30, 2003; however, actual results were worse than originally anticipated. We suggest reviewing all City services for possible ways to reduce costs and streamline operations without significantly compromising City services to address the current shortfall. There are funds available in the budget stabilization fund; however, continued decreases in state shared revenue will make it

more difficult for the City to provide it's current level of services. To highlight the impact state shared revenue and increasing costs had on the general fund, the fund balance in fiscal year 2000 was \$146,260 versus a deficit of \$201,827 today. Continued review of non-essential costs is imperative to future stability of the general fund. Furthermore, we suggest a transfer from the budget stabilization fund to the general fund to alleviate some of the current shortfall.

USER FEES

Given the reduction in revenue related to state shared revenue, one of the first areas many communities have addressed in an effort to begin making up at least some portion of the lost revenues is user fees. An analysis of the current level of user fees charged by the City in comparison to other communities, related costs, and in some cases commercial entities may prove useful.

ACCOUNT RECONCILIATIONS

In planning and performing our audit of the City's financial statements each year, we consider the City's internal control structure in order to determine our audit procedures for the purposes of expressing our opinion on the financial statements. The consideration we give to the internal control structure is not sufficient for us to provide any form of assurance. However, our review of the City's internal control structure and operation leads us to an assessment that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants.

Reportable conditions are significant deficiencies in the design or operation of the internal control structure that have come to our attention and, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the City's management assertions inherent in the financial statements. We consider the following deficiencies in the design and operation of the internal control structure to be a reportable conditions.

The City failed to prepare bank reconciliations on a timely basis. With recent transitions in the accounting department, bank reconciliations were not prepared for a six to seven month period. We recommend reconciling the City's cash accounts monthly by an employee independent of the cash collection, recording and processing functions.

The water and sewer billing registers were not reconciled to the City's general ledger for a period of five months. We suggest performing this function on a monthly basis to ensure activity within the billing registers are recorded properly in the general ledger. Without reconciling the subsidiary ledger timely, billing errors, collection problems and other issues within the water and sewer billing function may go undetected.

OTHER ACCOUNTING AND SYSTEM ISSUES

During our testing the following items were noted related to the City's accounting and internal control systems and may require the City's attention, including the following:

- Taxes collected on behalf of other governmental agencies, schools and the County for example, generally should be remitted to those governmental agencies 10 working days after the first and fifteenth of the month with 10 percent of the February 28th collection held until tax settlement. We noted summer taxes being remitted to the other entities in one payment versus periodically during the collection period. We suggest following the aforementioned prescribed method of timely remittance.
- In light of the general funds current deficit situation, we recommend providing monthly or at a minimum quarterly budget status reports to key management employees and council members. Any significant variances from budget should be addressed immediately.

ACH Arrangements

Recently, Public Act 738 was passed, which allows local units of government to make and accept electronic funds transfers (ACH payments), if the local unit adopts a formal policy. While local units of government may have already been using the ACH system for payroll tax remittances and for the direct deposit of payroll, this new law requires a policy to be adopted.

The City Council should consider adopting a policy on ACH arrangements that includes all of the following:

- Designation of an individual as the party responsible for approving payment, accounting, reporting and complying with the ACH policy;
- A statement that this individual is required to submit documentation as follows:
 - Describe the goods or services purchased,
 - The cost,
 - Date of payment, and
 - The department benefiting from the purchase;
- A system of internal controls to monitor the use of ACH transactions; and
- The approval of ACH invoices before payment.

COMPUTER SECURITY

As organizations have become more reliant on computer technology to deliver core business processes, it is increasingly apparent that attention needs to be given to the security of your computer systems. While the private sector has been forced to devote significant resources to this area for a couple of years now, organizations in the public sector are beginning to see the need for similar attention. Items for consideration include the ability of employees to access or manipulate data or programs inappropriately, firewalls for Internet access points, and physical security/disaster recovery plans.

An organization's data assets are such that their loss or impaired usage can have devastating consequences. As a result, we strongly recommend that you assess your information systems and network environments and develop strategies to ensure that risks associated with down time, hacker intrusions and virus attacks are minimized in a secured environment. We believe it is prudent to assess your risk and implement security improvements to avoid the negative implications. Plante & Moran has developed a computer security review and penetration testing approach that is tailored for governments. We can assist your organization in implementing the necessary security and networking technology to achieve the level of security your organization requires.

WATER AND SEWER FUND

The Water and Sewer Fund experienced a higher than normal water loss in fiscal year 2003 compared to previous years. However, the fund essentially broke even from an operations standpoint. We would suggest updating the City's water and sewer rate study to ensure the fund continues to operate efficiently and effectively, including covering future operating costs. Furthermore, we suggest reviewing the circumstances during the year that may have caused the significant water loss and implement controls or improvements to the system to ensure a similar loss does not occur in future years.

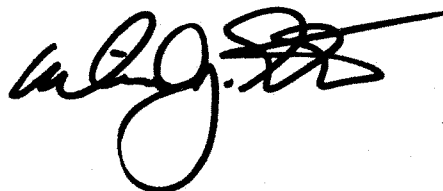
STATE OF PENSION FUNDS

As you are aware, the City's employee pension fund had disappointing investment results over the past couple of periods. This has the potential to have significant implications related to future actuarially suggested contributions. Of course any increase in contributions to the General Employees system will be funded mainly by the General Fund, or a percentage of the total contribution could come from the General Fund and Water and Sewer Fund. It is important that the City do its best to make contributions as suggested by the actuary and appropriately budget for any increases in required contributions.

We would like to thank the City staff again this year for their cooperation and assistance provided during the audit. If you have any questions, or would like to discuss these items further, please feel free to contact us at your convenience.

Yours truly,

PLANTE & MORAN, PLLC



Michael J. Swartz



Shane C. Ferguson